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TAGS: [PREL](#) [EINV](#) [ECPS](#) [PGOV](#) [US](#) [UZ](#)
SUBJECT: UZBEK TELECOM CHIEF DENIES DISCRIMINATORY
TREATMENT TO DAS FEIGENBAUM

Classified By: AMB. JON R. PURNELL, FOR REASONS 1.4 (B, D)

¶1. (C) Summary: Deputy Prime Minister Abdulla Aripov, also chief of Uzbekistan's national telecommunications agency, used his meeting with SCA DAS Evan Feigenbaum almost exclusively to harp on complaints about alleged legal and regulatory violations by U.S.-owned cellular provider COSCOM.

He was unprepared to respond to DAS Feigenbaum's warnings about the possible negative consequences of Uzbekistan's persistent failure to establish open and fair conditions for international investment. Aripov insisted that Uzbekistan should be free to choose which countries may invest in its market, but at the same time insisted that there are no barriers to investment in Uzbekistan. End summary.

¶2. (C) Deputy Prime Minister Abdulla Aripov, also director of Uzbekistan's national telecommunications agency, told SCA DAS Evan Feigenbaum on March 2 that Uzbekistan, as a sovereign nation, wants partnerships on equal terms. He said that American companies operating in Uzbekistan must follow Uzbek law, and they must pay taxes. Then, in an extended discourse devoted almost entirely to embattled cellular provider COSCOM, Aripov flatly denied that COSCOM's troubles were in any way related to its status as a majority U.S.-owned company.

¶3. (C) Aripov reviewed the history of COSCOM's legal difficulties, from the Uzbek Government's perspective. He said that one year ago, he discovered to his amazement that COSCOM was using over 100,000 phone numbers without the authorization or knowledge of the telecom agency, which according to Uzbek telecom regulations must approve all assigned numbers. In that instance, Aripov said, "we forgave them." Then in September 2006, he said, when the problem had not been corrected, the agency issued COSCOM an official warning. One week later, COSCOM's network operations were interrupted, according to Aripov, due to technical difficulties caused by COSCOM. In this instance again, Aripov said, the agency was fully within its rights to lift COSCOM's license, but instead simply issued a second warning.

Then, on January 30, he said, COSCOM's entire network was deactivated for over two hours "due to the incompetence of COSCOM's technical personnel." Finally, Aripov said, he could tolerate the situation no longer and moved to suspend the company's operating license for 10 days, and COSCOM responded by filing suit against the agency and then launching a public relations campaign.

¶4. (C) Aripov continued, saying that in the course of

examining COSCOM's operations, the agency reviewed all the company's registration documents and found that, from the beginning of its operations, there had been problems. In 1999, he said, nine percent of the Government's original stake in the venture had been privatized without the Government's knowledge or consent. Then in 2000, according to Aripov, 26 percent of the company's share capital, which was owned by the Government, was privatized at a "symbolic" price of \$531,000, which was a fraction of its market value.

15. (C) Furthermore, Aripov said, COSCOM's parent company, Virginia-based MCT Corporation, had entered into talks with the Qatari national telecom firm Q-Tel to sell the company's Central Asian holdings. "Qatar has great experience in the oil and gas industry," Aripov said, "but I seriously doubt they are in the forefront of telecommunications technology." He said that Uzbekistan preferred that MCT sell COSCOM to a company based in a country with which Uzbekistan has a strategic partnership: Japan, China, Malaysia, South Korea, Russia, the United States, or any country in the European Union. Aripov said, "Why couldn't they sell the company to AT&T, Verizon, or Sprint? Why the Arabs?" Finally, he rebutted claims that the agency had recommended a sale to a Russian telecom firm. "As a regulator," Aripov said, "I do not want all our major cellular companies to be in the hands of Russian investors. That is bad for market competition."

16. (C) DAS Feigenbaum stated that he was not in Uzbekistan solely to discuss COSCOM. He said that U.S. concerns about Uzbekistan's business environment go far beyond any one company. Many firms have complained about many different types of obstacles, mostly involving selective application of laws. Problems have included intrusive tax inspections,

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license revocations, lawsuits, non-payment of contracts, expropriation of assets, and summary bankruptcy rulings. In a global economy, Feigenbaum said, companies have many choices of where to invest. They cannot and will not invest in a country where they face debilitating obstacles that do not exist elsewhere. If Uzbekistan wishes to pick and choose which countries invest in its economy, Feigenbaum said, that is a political decision, but global companies operate according to a commercial logic. He said that the expulsion of Newmont Mining in 2006 had sent a very bad signal to all international investors, and if COSCOM is similarly squeezed out, the message will be all the more clear. If Uzbekistan drives out one company, it may ultimately drive out all companies; of course, this is Uzbekistan's right as a sovereign state, Feigenbaum said, but it is a decision which will make it impossible for the United States to be involved with Uzbekistan's economic development. Feigenbaum questioned the rationale for trading only with "strategic partners." He noted that the United States has a complex relationship with China but still manages \$200 billion annually in two-way trade.

17. (C) Aripov responded by returning to COSCOM, citing more alleged violations of law and asserting that there are no obstacles to investment in Uzbekistan. He stated that it is not unusual for the Uzbek Government to approve the sale of large companies, saying that the United States does the same. He then suggested that perhaps the U.S. Government could encourage larger companies to invest in Uzbekistan. "If American companies are facing difficulties here," Aripov said, "give us the information, and we will do what we can to help."

18. (C) Comment: Aripov does not get it. He was prepared only to discuss the case of one company in great detail, and appeared stumped at DAS Feigenbaum's effort to deliver a more general message about how to build a constructive economic and trade relationship between the two countries. Aripov's demand that the United States show respect to Uzbekistan was an almost verbatim recitation of any number of policy statements from all levels of government. Aripov appears

uninterested in taking any steps to improve the overall business climate. Whether the difficulties faced by companies in this market are due to political vicissitudes or simple corruption, the result is the same, and Uzbekistan will continue to repel much serious international investment for the foreseeable future.

19. (U) DAS Feigenbaum cleared this cable.

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